

MEDICAID

Summary

In FY 1997, Medicaid will provide grants to States for the medical care of about 39 million low-income individuals. The Federal share of Medicaid payments is expected to reach \$102 billion. This is a \$7.4 billion (7.8 percent) increase over projected FY 1996 spending. The President has recently submitted a comprehensive Medicaid reform package, which streamlines the program while preserving the guarantee of health and long-term care coverage for the most vulnerable Americans.

Enhancing State Flexibility

States have considerable flexibility in structuring the Medicaid programs, including determining provider payment rates, certification standards, and developing alternative health care delivery programs. In addition, waivers from various portions of the broad Federal guidelines are also available to States.

Freedom-of-choice waivers allow States to implement cost-effective systems of care, such as case management and competitive bidding arrangements. Home and community-based service waivers allow States to cover community-based care as an alternative to institutionalization.

States have also begun to restructure eligibility and coverage under Medicaid through the use of Section 1115 demonstration waivers. Under these demonstrations, States acquire savings by incorporating managed care concepts, redirecting uncompensated care payments, and consolidating State health programs. States use these savings to expand coverage to previously uninsured populations. States are using Section 1115 waivers to reform health care by expanding coverage without increasing the amount the Federal Government would have otherwise spent. Since 1993, this Administration has approved twelve Section 1115 demonstrations, and is committed to working cooperatively with additional States to support innovative ideas. Delaware, Vermont, Hawaii, Oregon, Tennessee, Minnesota, Oklahoma¹, and Rhode Island are currently operating approved demonstrations, extending health care coverage to about 672,000 Americans who were otherwise not covered by health insurance. Florida, Kentucky, Massachusetts, and Ohio have approved waivers but have not begun operation of their demonstrations. Once fully implemented, these twelve demonstrations could extend coverage to 2.2 million individuals, at no increased cost to the Federal Government.

Legislative Proposal

The President's plan for Medicaid reforms the program but preserves the guarantee of health and long-term coverage for the most vulnerable Americans. It saves \$59 billion over seven years responsibly, by limiting spending on a per-person basis (a "per capita cap") and reducing

¹ Oklahoma has no expansion population in its 1115 waiver.

Disproportionate Share Hospital payments and retargeting them to hospitals that serve large numbers of Medicaid and uninsured patients.

The plan provides special payments for States to transition into the new system, and to meet the most pressing needs. It also gives States unprecedented flexibility to administer their programs more efficiently. Finally, this plan retains current nursing home quality standards and continues to protect the spouses of nursing home residents from impoverishment.

The President's Medicaid reform proposal would also give States more flexibility in managing their Medicaid programs. Changes include:

- **Boren Amendment:** The plan repeals the so-called "Boren amendment," eliminating Federal provider payment requirements for hospitals and nursing homes.
- **Managed care:** The plan allows States to enroll beneficiaries in managed care without Federal waivers.
- **Home- and community-based care:** The plan allows States to provide services in home- and community-based settings to people who need long-term care without having to seek Federal waivers.
- **Coverage expansions without waivers** The plan enables States, without waivers, to expand coverage to any person in a family with income less than 150 percent of the Federal poverty line.

Background

Medicaid is a voluntary program, initiated and administered by the States. State expenditures for medical assistance are matched by the Federal Government using a formula that measures per capita income in each State relative to the national average. Current matching rates for FY 1996 are projected to range from 50 to 77 percent for medical assistance payments and from 50 to 100 percent for administrative costs. The Federal matching rate on average is approximately 57 percent.

Most individuals' eligibility for Medicaid is based on qualifying under the cash assistance programs of Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI). All AFDC and most SSI recipients, commonly referred to as the "categorically eligible," are covered under State Medicaid programs. States cover some individuals not eligible for AFDC or SSI (e.g., higher income persons in institutions, low-income pregnant women and children, and aged, blind and disabled persons below the poverty line). States may also cover "medically needy" individuals. Such persons would meet the categorical eligibility criteria, but have too much income or resources. By incurring medical expenses, these persons may spend down to the medically needy standard.

States are required to provide a core of 13 services to all eligible recipients. Those mandatory Medicaid services include inpatient and outpatient hospital care, health screening, diagnosis and

treatment to children, family planning, physician services and nursing facility services to individuals over 21. States may also elect to cover any of over 30 specified optional services, which include prescription drugs, clinic services, and services provided in intermediate care facilities for the mentally retarded.

Medicaid covers children under the age of six and pregnant women whose family income does not exceed 133 percent of the Federal poverty level. Medicaid coverage of children aged 6 through 18, born after September 30, 1983, whose family income does not exceed 100 percent of the Federal poverty level, is being phased in. By 2002, all children under the age of 19 living below the poverty level will be covered by Medicaid. In addition, Medicaid pays Medicare premiums and cost sharing for Medicare coverage of certain poor seniors and disabled individuals eligible for Medicare, also referred to as Qualified Medicare Beneficiaries (QMBs). The President's Medicaid reform proposal would preserve these important protections and expansions.

Federal Medicaid outlays rose dramatically from FY 1989 through FY 1992, at a 25 percent average annual rate. However, outlay growth slowed to less than 12 percent in FY 1993, followed by 8 percent growth in FY 1994. The decline in the rate of Medicaid increases is due to many factors, including legislative changes (such as Limits on Provider Specific Taxes and Donations), decreases in the projected growth of SSI caseloads, and States' efforts to control costs. The President's plan maintains these appropriate limitations.

MEDICAID OVERVIEW

(Recipients in thousands)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>+/-</u>
<u>Beneficiaries:</u> *				
Aged 65 and Over	4,234	4,389	4,553	+164
Blind and Disabled	6,009	6,341	6,626	+285
Needy Adults	7,774	8,041	8,260	+219
Needy Children	17,574	18,169	18,659	+490
Other	<u>576</u>	<u>576</u>	<u>576</u>	<u>+--</u>
Unduplicated Total	36,168	37,516	38,674	+1,158

(Outlays in millions)

	<u>1995 Actual</u>	<u>1996 Policy</u>	<u>1997 Request</u>	<u>Request +/-Policy</u>
<u>Current Law:</u>				
Benefits	\$85,194	\$90,480	\$97,653	+\$7,173
State and Local Administration	3,491	3,965	3,927	-38
Vaccines for Children 185	213	469	+256	
Survey and Certification	137	154	163	+9
State Medicaid Fraud Control Units	<u>63</u>	<u>79</u>	<u>82</u>	<u>+3</u>
Total, Current Law*	\$89,070	\$94,892	\$102,294	+\$7,403

* Numbers may not add due to rounding.